

Message Text

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ACTION NEA-10

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TAGS: EFIN, EGEN, EINV, EG
SUBJ: ECONOMIC GROUP REVIEWS 1978 STATE BUDJET

REF: (A) CAIRO 17343, (B) CAIRO 17192, (C) CAIRO 3408, (D) CAIRO 1014

1. ALAHRAM REPORTED IN FRONT PAGE ARTICLE OCT 18 THAT EGYPTIAN STATE BUDGET WILL TOTAL LE 7,000 MILLION IN 1978, WITH VOLUME OF GOVERNMENT WAGES AND SALARIED EQUALING LE 1,000 MILLION. OF THE LATTER FIGURE, REPORT INDICATES THAT LE 30 MILLION WILL BE ALLOCATED TO FINANCING NEW APPOINTMENTS. ABOVE DETAILS WERE RELEASED TO PRESS AFTER DISCUSSION OF BUDGET OCT 17 BY GOE MINISTERIAL LEVERL ECONOMIC GROUP UNDER LEADERSHIP OF DEPPRIMIN KAISSOUNI. FINAL FRAMEWORK OF BUDJET, WHICH IS NOW UNDER REVIEW BY ECONOMIC GROUP, WILL BE TRANSMITTED TO PEOPLES ASSEMBLY AT END OF OCTOBER.

2. MINFIN HAMED ANNOUNCED IN SAME PRESS REPORT THAT FINAL DETERMINATION OF PROJECTED BUDGET DEFICIT FIGURE WOULD NOT BE MADE UNTIL ECOMOMIC GROUP HAD REVIEWED ESTIMATES FOR SUBSIDIES AND GOE LABOR COSTS WERE MAJOR CONTRIBUTORS TO BUDGET DEFICIT. BOTH POLICIES MUST BE CAREFULLY EXAMINED IN LIGHT OF THIS FACT AND COST HELD DOWN TO EXTENT POSSIBLE WHILE ENABLING IMPLEMENTAION OF SUBSIDY AND EMPLOYMENT PROGRAMS.

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3. AL AHARAM ALSO REPORTED THAT PRELIMINARY 1978 BUDGET ESTIMATES TAX REVENUES AT TOTAL OF LE 450 MILLION. (NOTE: ALTHOUGH REPORT DOES NOT CLARIFY, THIS FIGURE CAN ONLY RELATE TO DIRECT TAXES, WHICH ARE NOT MAJOR COMPONENT OF GOE REVENUE. INDIRECT TAXES ACCOUNT FOR APPROXIMATELY LE 1,000 MILLION. INTERMINITERIAL TRANSFERS, SUEZ CANEL AND PETTROLEUM REVENUES ALSO CONTRIBUTE SIGNIFICANTLY TO GOE RESOURCES.) REPORTED

FIGURE INCLUDES LE 320 MILLION FROM SALARY WITHHOLDINGS;
LE 35 MILLION FROM PRIVATE INCOMES; AND LE 80 MILLION
GENERATED FROM FISCAL DUTIES IMPOSED UNDER NEW TAX LAW.
SOURCE MAKES CLEAR THAT ESTIMATES ARE BASED ON IMPLEMENTATION
OF NEW TAXATION SCHEME PRESENTLY UNDER DEBATE IN PEOPLES
ASSEMBLY. FURTHER GOVERNMENT REVENUES ANTICIPATED IN 1978,
ACCORDING PRESS ARTICLE, INCLUDE LE 176 MILLION FROM STATE
RUN PENSION FUND AND LE 200 MILLION FROM SOCIAL INSURANCE
PLANS.

4. ECONOMIC GROUP REPORTEDLY ALSO REVIEWED ALTERNATIVES TO
COMMODITY SUBSIDY PROGRAM, INCLUDING INTEGRATION OF WAGE AND
PRICE STRUCTURE, AND RATES OF SERVICES AND UTILITIES, BUT
NO DETAILS WERE GIVEN ON PERTINENT POINTS OF DISCUSSION.

5. GUMHRIYYA CARRIED COVERAGE OF ECONOMIC GROUP'S MEETING
OCT 20 WHICH SLIGHTLY SUPPLEMENTS AL AHAM ARTICLE. ACCORDING
THIS ACCOUNT, SUBSIDY FIGURE FOR 1978 IN EXCESS OF LE 500
MILLION. THIS COMPARES WITH 1977 REVISED BUDGET FIGURE
(REFC) WHICH ALLOCATED LE 400 MILLION TO SUBSIDY PROGRAM.
REPORT CONTINUED STRESS SUBSIDIZATION PROGRAM OF SUCH
IMPORTANCE TO MASSES NO CUTS WILL BE MADE WITHOUT PUBLIC
CONCURRENCE.

6. COMMENT: AS DEPT AWARE, GOE BUDGET INCORPORATES
MUCH DOUBLE COUNTING AND THEREFORE CANNOT BE CONSIDERED
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REALISTIC INDICATOR OF ACTUAL GOE RESOURCES ALLOCATION.
REPORTS APPEAR SUPPORT INDICATIONS (REF A) THAT GOE INTENDS
RETAIN MAJOR PORTION OF SUBSIDY PROGRAM. TOTAL BUDGET
FIGURES OF LE 7,000 MILLION, HOWEVER, REPRESENTS SLIGHT
DECLINE (LE 50 MILLION) FROM 1977 BUDGET (REF C AND D)
AND APPARENTLY IN LINE WITH PRESIDENTIAL DECREE (REF B)
WHICH ORDERED ELIMINATION OF UNNECESSARY EXPENDITURES FROM
BUDGET. ESPECIALLY IN LIGHT OF INFLATION FACTO, BUDGET
CANNOT BE VIEWED AS EXPANSIONARY AND MAY BE INITIAL GOE
STEP TOWARD LIMITING DEFICIT THROUGH CUTS IN AREAS OTHER
THAN SUBSIDIZED COMMODITIES.
EILTS

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